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CANADIAN GENERAL INVESTMENTS LIMITED

1977

Annual Report

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CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors

RALPH M. BARFORD	M. C. G. MEIGHEN, O.B.E.
JOHN D. BARRINGTON	T. R. MEIGHEN, Q.C.
ALEX E. BARRON	JOHN C. RYKERT
DAVID L. CAMPBELL	J. ALLYN TAYLOR
DOUGLAS N. KENDALL	DONALD C. WEBSTER
A. BRUCE MATTHEWS, C.B.E., D.S.O.	PATRICK O. G. WRIGHT

Officers

M. C. G. MEIGHEN, O.B.E.	- - - - -	<i>Chairman of the Board</i>
ALEX E. BARRON	- - - - -	<i>President</i>
JOHN C. RYKERT	- - - - -	<i>Treasurer</i>
E. LOUISE MORGAN	- - - - -	<i>Secretary</i>
PATRICK O. G. WRIGHT	- - - - -	<i>Assistant Treasurer</i>

Auditors

PRICE WATERHOUSE & CO. - - - - - Toronto

Registrar and Transfer Agent

THE CANADA TRUST COMPANY - - - - - Toronto

Office of Company

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) Toronto

CANADIAN GENERAL INVESTMENTS LIMITED

To The Shareholders:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1977 consisting of the Consolidated Balance Sheet and Consolidated Statements of Income, Retained Earnings, Unrealized Gain on Investments, and Changes in Net Assets.

The Balance Sheet discloses that the total consolidated assets of the Company as at December 31, 1977 amounted to \$117,394,875. From this amount is deducted accrued liabilities, income taxes payable, deferred income taxes, and minority interest which leaves a net value of \$112,584,390. Based on 3,843,764 common shares outstanding as at December 31, 1977, each common share had an apparent liquidating value of approximately \$29.29. It should be noted that while \$4.5 million in deferred income taxes was deducted from consolidated assets in calculating the equity value per share, the \$4.5 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates payment to the government of part or all of these deferred taxes.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had a net income for the year of \$4,450,176. This is equivalent to \$1.16 for each of the outstanding common shares.

During 1977, shareholders received dividends of \$1.13 per share. These dividends were paid out of the Company's December 31, 1971 surplus accounts and are not subject to income tax in the hands of the shareholder. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of such shares.

A schedule showing the percentages of the dividends paid out of Tax-paid Undistributed Surplus On Hand and 1971 Capital Surplus On Hand is set out below. This information is submitted for the benefit of Canadian corporations which are shareholders of the Company.

<u>1977</u>		<u>Tax-Paid Undistributed Surplus on Hand</u>	<u>1971 Capital Surplus on Hand</u>
March 15	- - - - -	.6%	99.4%
June 15	- - - - -	.5	99.5
September 15	- - - - -	.2	99.8
December 15	- - - - -	.2	99.8

Your Directors have decided, for tax purposes, to continue paying dividends out of the Company's December 31, 1971 Surplus Accounts. A dividend in the amount of \$0.25 per common share, tax-deferred in the hands of the shareholders, has been declared payable March 15, 1978 to shareholders of record February 28, 1978.

The concept of "tax deferred" dividends will cease to exist at December 31, 1978 under the provisions of Bill C-11, the legislation to implement the Federal government's 1977 budget proposals. The Company anticipates that it will commence paying taxable dividends in 1979.

Last year a brief description of our United States investments was given. An update of those investments follows as well as a description of new U.S. investments made during the year. These new investments are denoted by an asterisk:

AVCO CORPORATION

Avco Corporation's diversified activities fall within two major areas. Its financial service activities include consumer credit (Avco Finance) and insurance (The Paul Revere Companies). The development and manufacture of aerostructures, turbine and reciprocal aero engines is the other business area. For the fiscal year ended November 30, 1976 services, revenues and sales equalled \$1,346,176,000. Net earnings were \$92,949,000 or \$6.74 per common share, up from \$3.87 per share in the previous year.

HALLIBURTON COMPANY

Halliburton Company offers, on a world wide basis, specialized services to the petroleum production industry. The construction division engineers and constructs power and processing plants. During the year ended December 31, 1976 revenues equalled \$4,866,294,000. Net profits were \$305,480,000 or \$5.22 per common share up from \$3.84 per share in the previous year.

INTEL CORPORATION*

Intel Corporation is a major developer, manufacturer and marketer of micro-computer components and semiconductor integrated circuits. During the year ended December, 1976 revenues equalled \$225,979,000. Net profits amounted to \$25,214,000 or \$2.37 per share up from \$1.56 in the previous year.

JOY MANUFACTURING COMPANY

Joy Manufacturing Company is a large manufacturer of industrial capital goods primarily for the coal mining industry. For the fiscal year ended September 1977 Mining Systems Equipment contributed 56% of revenue, the balance being made up of Industrial & General Products 21%—Ore Processing and Petroleum Equipment 12%—and Air Pollution Control Equipment 11%. Total corporation revenues for the year ended September 1977 equalled \$685,438,000. Net profits were \$48,215,000 or \$3.92 per common share, which is down slightly from the previous year's \$3.94 per share. The decrease resulted from an increase in the number of shares outstanding. Net profits were up 1%.

NATIONAL MINE SERVICE COMPANY*

National Mine Service Company has two major divisions. The Mining Machinery Division manufactures mine locomotives, drilling and extraction equipment. Its Distribution Products Division sells health and safety equipment, instruments and mine supplies for the mining industry. For the year ended June 1977, revenues equalled \$118,635,290. Net income amounted to \$8,017,895 or \$1.66 per share down from \$1.88 for the previous year. This reduction stemmed from an increase in shares outstanding. Net income was up over 7%.

SHARED MEDICAL SYSTEMS CORPORATION*

Shared Medical Systems Corporation provides computerized information processing services to over 365 hospitals. In terms of beds (about 115,000) it is the largest such firm in the United States. Revenues for the year ended December 31, 1976 amounted to \$35,468,027. Net income equalled \$5,246,556 or \$1.89 per share up from \$1.19 per share in the previous year.

TEKTRONIX, INC.

Tektronix, Inc. is the world's largest maker of cathode ray tube oscilloscopes. The Company manufactures more than 500 electronic instruments for display, measurement and control functions. The fiscal year ended May 1977 produced revenues of \$454,958,000. Net profits were \$43,971,000 or \$2.49 per share up from \$1.71 per share in the previous year.

TEXASGULF INC.*

Texasgulf Inc. is a large multifaceted company. Its Metals Division (approximately 47% of sales) is primarily comprised of the Kidd Creek complex in Timmins, Ontario, where copper, zinc, silver and lead are mined and processed. A recent addition to this Division is a zinc, lead, silver mining operation on Baffin Island. The Agricultural Chemicals Division (approximately 30% of sales) is involved in the mining and processing of phosphate and potash. The Industrial & Chemicals Division mines and processes soda ash and sulphur. The Oil & Gas Division is growing in importance with significant acreage in the Gulf of Alaska, Alberta and offshore Louisiana in the Gulf of Mexico. For the year ended December 1976 sales amounted to \$480,540,000. Net income was \$62,914,000 or \$2.05 per share, down from \$3.37 per share in the previous year.

The portfolio of investments as at December 31, 1977 is to be found on pages 10 and 11 of this report. A complete list of the securities held by C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

Mr. C. G. Ingleton

Chairman of the Board

Alex E. Barr

President

TORONTO, January 31, 1978.

C A N A D I A N G E N E R A L

Consolidated Balance Sheet

(Note 1)

Assets

<i>Assets</i>	December 31	
	1977	1976
Investments at indicated market value (Note 2)		
Securities having a quoted market value - - - - -	\$109,590,553	\$105,731,110
Securities not having a quoted market value - - - - -	7,602,900	6,889,849
	117,193,453	112,620,959
(Cost as at—		
December 31, 1977—\$59,294,277		
December 31, 1976—\$55,715,457)		

Short-term investments, at cost plus accrued interest

Liabilities and Shareholders' Equity

Accrued liabilities -	-	-	-	-	\$ 9,365	\$ 7,010
Income taxes payable -	-	-	-	-	135,850	148,650
Deferred income taxes (Note 4(ii)) -	-	-	-	-	4,546,400	3,603,750
Minority interest in subsidiary -	-	-	-	-	118,870	88,038
Shareholders' equity						

Capital stock

Authorized—

4,000,000 common shares without par value

Issued and outstanding—

3,843,764 common shares	- - - - -	24,023,525	24,023,525
Unrealized gain on investments	- - - - -	53,362,386	53,285,630
Retained earnings	- - - - -	<u>35,198,479</u>	<u>34,134,466</u>
		<u>112,584,390</u>	<u>111,443,621</u>
		<u>\$117,394,875</u>	<u>\$115,291,069</u>

APPROVED BY THE BOARD:

M. C. G. MEIGHEN, *Director*
J. ALLYN TAYLOR, *Director*

Auditors' Report to the Shareholders of

Auditors' Report to the Shareholders of
CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited as at December 31, 1977 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at December 31, 1977.

PRICE WATERHOUSE & Co.
Chartered Accountants

I N V E S T M E N T S L I M I T E D

Consolidated Statement of Income

	Year ended December 31	
	1977	1976
Income		
Dividends	\$ 4,578,061	\$ 4,513,972
Interest	173,190	138,296
Gain on foreign exchange	72,225	30,424
	<hr/> 4,823,476	<hr/> 4,682,692
Expense		
Management fees	278,607	285,380
Directors' fees (Note 3)	10,800	11,100
Miscellaneous	42,450	34,601
Provision for income and foreign taxes	40,092	—
	<hr/> 371,949	<hr/> 331,081
Income before interest of minority shareholders	<hr/> 4,451,527	<hr/> 4,351,611
Interest of minority shareholders	1,351	578
Net income for the year	<hr/> \$ 4,450,176	<hr/> \$ 4,351,033
Net income for the year per common share	<hr/> \$ 1.16	<hr/> \$ 1.13

C A N A D I A N G E N E R A L I

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1977	1976
Balance at beginning of year -	\$ 34,134,466	\$ 29,959,158
Add		
Net income for the year -	4,450,176	4,351,033
Gain on investments sold or redeemed, less minority interest of \$28,213 (1976-\$1,554) and income taxes of \$287,753 (1976-\$146,205) -	957,290	3,860,227
	39,541,932	38,170,418
Less dividends paid on common shares -	4,343,453	4,035,952
Balance at end of year -	\$ 35,198,479	\$ 34,134,466
Dividends paid per common share -	\$ 1.13	\$ 1.05

Consolidated Statement of Unrealized Gain on Investments

	Year ended December 31	
	1977	1976
Increase (decrease) during the year -	\$ 993,674	\$ (6,600,670)
Deferred income taxes -	(930,650)	(286,444)
Interest of minority shareholders -	13,732	3,099
	(916,918)	(283,345)
	76,756	(6,884,015)
Balance at beginning of year -	53,285,630	60,169,645
Balance at end of year -	\$ 53,362,386	\$ 53,285,630

V E S T M E N T S L I M I T E D

Consolidated Statement of Changes in Net Assets

	Year ended December 31	
	1977	1976
Net assets at beginning of year	\$111,443,621	\$114,152,328
Add		
Net income for the year	4,450,176	4,351,033
Gain on investments sold or redeemed, less minority interest and income taxes	957,290	3,860,227
Increase in unrealized gain on investments	76,756	—
	116,927,843	122,363,588
Less		
Decrease in unrealized gain on investments	—	6,884,015
Dividends paid	4,343,453	4,035,952
	4,343,453	10,919,967
Net assets at end of year	<u>\$112,584,390</u>	<u>\$111,443,621</u>
Gain on investments sold or redeemed		
Cost of investments at beginning of year	\$ 55,715,457	\$ 53,696,711
Add purchase of investments during year	7,014,947	4,648,877
	62,730,404	58,345,588
Less cost of investments at end of year	59,294,277	55,715,457
Cost of investments sold or redeemed during year	3,436,127	2,630,131
Proceeds from sale or redemption of investments during year	4,709,383	6,638,117
Gain on investments sold or redeemed before minority interest and income taxes	1,273,256	4,007,986
Provision for income taxes	287,753	146,205
Interest of minority shareholders	28,213	1,554
	315,966	147,759
Gain on investments sold or redeemed	<u>\$ 957,290</u>	<u>\$ 3,860,227</u>
Apparent liquidating value per common share		
At beginning of year	\$ 28.99	\$ 29.70
At end of year	<u>\$ 29.29</u>	<u>\$ 28.99</u>

CANADIAN GENERAL INVESTMENTS LIMITED

Notes to Consolidated Financial Statements

DECEMBER 31, 1977

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the Companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
3. No remuneration is paid by the Company to its "senior officers", as defined by the Ontario Business Corporations Act, 1970.
4. Taxation:
 - (i) The Companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
 - (ii) Unrealized gain on investments includes approximately \$15,316,000 which has accrued since December 31, 1971. In addition, the parent company has received dividends of approximately \$2,974,000 since December 31, 1971 which were paid out of "tax-paid undistributed surplus on hand" and "1971 capital surplus on hand" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. A provision for deferred income taxes on these unrealized gains has been made in the accounts.
 - (iii) As at December 31, 1977 the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax-paid undistributed surplus on hand (Section 89(1)(k))	(b) 1971 capital surplus on hand
Balance at beginning of year -	\$ —	\$16,114,000
Dividends received	16,000	597,000
1971 capital surplus realized on investments sold or redeemed	—	107,000
Tax-deferred dividends on common shares	<u>(16,000)</u>	<u>(4,327,000)</u>
Balance at end of year -	<u>\$ —</u>	<u>\$12,491,000</u>

Dividends paid out of categories (a) and (b) are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

With the enactment of recent amendments to the Income Tax Act (Canada), tax-paid undistributed surplus on hand and 1971 capital surplus on hand will disappear on December 31, 1978. Accordingly, the Company will not be able to pay tax-deferred dividends out of those categories after that date.

5. Anti-Inflation Programme:

The Company is subject to dividend restrictions imposed by the Federal Government in the Anti-Inflation Act effective October 14, 1975. Dividends paid since this date have been in compliance with the controls. These restrictions are due to expire on October 13, 1978.

C A N A D I A N G E N U I N A C I N V E S T M E N T S L I M I T E D

Summary of Portfolio by Industry

	VALUE AS OF DEC. 31, 1977	PERCENT OF PORTFOLIO
Finance - - - - -	\$ 24,238,890	20.7
Industrial Management - -	16,917,153	14.4
Merchandising - - - -	8,033,800	6.9
Business Forms - - - -	8,540,000	7.3
Steel - - - - -	8,781,250	7.5
Investment Trust - - - -	8,802,000	7.5
U.S. Securities - - - -	13,441,975	11.5
Metals - - - - -	4,987,500	4.3
Energy - - - - -	6,068,125	5.2
Beverages - - - - -	5,213,750	4.4
Manufacturing - - - -	4,217,437	3.6
Forest Products - - - -	1,642,500	1.4
Communications - - - -	2,124,000	1.8
Miscellaneous - - - -	2,639,110	2.2
Venture Capital - - - -	1,178,463	1.0
Real Estate - - - - -	367,500	.3
	\$117,193,453	100.0

Summary of Changes in Portfolio

	in 1977
<i>Additions to Portfolio</i>	
Canadian Tire Corporation Ltd.	- - - - -
4,000 shares	
C.G.I. and Third Venture Capital Limited Pref.	- - - - -
1,350 shares	
Intel Corporation Ltd.	- - - - -
10,000 shares	
Joy Manufacturing Company	- - - - -
10,000 shares	
Na-Churs International Ltd.	- - - - -
85,000 shares	
National Mine Service Company	- - - - -
20,000 shares	
Northern Telecom Ltd.	- - - - -
10,000 shares	
Nowsco Well Service	- - - - -
4,400 shares	
Rangeco Oil & Gas Ltd.	- - - - -
50 units	
Rio Algom Ltd.	- - - - -
20,000 shares	
Shared Medical Systems	- - - - -
52,700 shares	
Tektronix Inc.	- - - - -
30,000 new shares	
Texas Gulf Inc.	- - - - -
50,000 shares	
Trimac Limited	- - - - -
31,300 warrants	
<i>Deletions from Portfolio</i>	
Alcan Aluminium Ltd.	- - - - -
70,000 shares	
Canadian Tire Corporation Ltd. 'A'	- - - - -
4,000 shares	
Inco Ltd. 'A'	- - - - -
35,000 shares	
Kenting Limited	- - - - -
31,300 shares	
London Life Insurance Co.	- - - - -
866 shares	
Nowsco Well Service	- - - - -
20,000 shares	
The Ravelston Corp. Ltd. Prefd.	- - -
9,184 shares	

C A N A D I A N G E N E R A L I N V E S T M E N T S L I M I T E D

Portfolio of Investments

AS AT DECEMBER 31, 1977

No. of Shares	Total Market Value \$	% of Portfolio	No. of Shares	Total Market Value \$	% of Portfolio
Beverages	5,213,750	4.4	Finance	24,238,890	20.7
215,000 The Seagram Company Ltd. -	5,213,750		(A) BANKS - - - - -	2,145,000	
			15,000 Bank of Montreal - - - - -	268,125	
Business Forms	8,540,000	7.3	40,000 Royal Bank of Canada - - - - -	1,095,000	
280,000 Moore Corporation Limited -	8,540,000		45,000 The Toronto-Dominion Bank -	781,875	
			(B) LIFE INSURANCE - - -	53,890	
Communications	2,124,000	1.8	634 London Life Insurance Co. - - -	53,890	
96,000 Southam Press Ltd. 'A' - - - -	2,124,000		(C) TRUST COMPANY - - -	22,040,000	
			760,000 Canada Trustco Mortgage Company 'A' - - - - -	22,040,000	
Energy	6,068,125	5.2			
(A) OILS - - - - -	3,279,375		Forest Products	1,642,500	1.4
20,000 Hudson's Bay Oil & Gas Co. Ltd.	950,000		90,000 MacMillan Bloedel Ltd. - - -	1,642,500	
35,000 Imperial Oil Ltd. 'A' - - - -	748,125				
50 Rangeo Oil & Gas Ltd.-Units	250,000		Industrial Management	16,917,153	14.4
75,000 Shell Canada Ltd. 'A'- - - -	1,331,250		730,000 Argus Corporation Ltd. Class 'C' Prefd. - - - - -	9,855,000	
(B) PIPELINE - - - - -	350,000		28,729 The Ravelston Corp. Ltd. - - -	3,576,473	
25,000 Interprovincial Pipe Line Ltd. 'A'	350,000		348,568 The Ravelston Corp. Ltd. Prefd.	3,485,680	
(C) OTHER - - - - -	2,438,750				
70,000 Rio Algom Ltd. - - - - -	1,907,500		Investment Trust	8,802,000	7.5
50,000 Union Gas Limited 'A' - - - -	531,250		652,000 Third Canadian General Investment Trust Limited -	8,802,000	

Note: Argus Corporation Ltd. holds shares in the following companies: Dominion Stores Ltd., Domtar Limited, Hollinger Mines Ltd., Massey-Ferguson Ltd., and Standard Broadcasting Corp. Ltd.

CANADIAN GENERAL INVESTMENTS LTD.

No. of Shares		Total Market Value	% of Portfolio	No. of Shares		Total Market Value	% of Portfolio
		\$				\$	
	Merchandising	8,033,800	6.9		Steel	8,781,250	7.5
203,600	Canadian Tire Corporation Ltd. 'A' - - - -	5,217,250		225,000	The Algoma Steel Corp. Ltd. -	3,346,875	
36,400	Canadian Tire Corporation Ltd.	891,800		100,000	Dominion Foundries and Steel Ltd. 'A' - - - - -	2,387,500	
42,000	Cochrane-Dunlop Ltd. - - - -	309,750		125,000	The Steel Co. of Canada Ltd. 'A'	3,046,875	
340,000	Simpsons Limited - - - -	1,615,000			Venture Capital (see page 12)	1,178,463	1.0
	Manufacturing	4,217,437	3.6		Miscellaneous	2,639,110	2.2
35,000	Canadian General Electric Co. Ltd. - - - - -	866,250		80,000	Extendicare Ltd. - - - - -	770,000	
220,500	Hayes Dana Ltd. 'A' - - - -	1,295,437		85,000	Na-Churs International Ltd. -	626,875	
80,000	Massey-Ferguson Ltd. - - - -	1,280,000		90,000	Scott's Restaurants Co. Ltd. -	832,500	
29,000	Northern Telecom Ltd. - - - -	775,750		6,302	D. A. Stuart Oil Co. Ltd. - - -	73,260	
	Metals	4,987,500	4.3	31,300	Trimac Ltd. warrants - - - -	336,475	
	(A) BASE METALS - - - -	2,610,000			U.S. Securities	13,441,975	11.5
90,000	Cominco Ltd. - - - - -	2,610,000		350,000	Avco Corporation - - - - -	6,557,162	
	(B) OTHER METALS AND MINERALS - - - - -	2,377,500		\$845,591	Avco Corp. 9 1/2% May 31, 2001 -	1,130,780	
30,000	Alcan Aluminium Ltd. - - - -	858,750		22,000	Halliburton Company - - - -	1,567,500	
25,000	Inco Limited 'A' - - - - -	468,750		10,000	Intel Corporation Ltd. - - - -	492,300	
50,000	Texas Gulf Inc. - - - - -	1,050,000		20,000	Joy Manufacturing Company -	694,690	
	Real Estate	367,500	.3	20,000	National Mine Service Company - - - - -	385,635	
35,000	Trizec Corporation Ltd. - - - -	367,500		52,700	Shared Medical Systems - - -	972,908	
				40,000	Tektronix Inc. - - - - -	1,641,000	

C.G.I. AND THIRD VENTURE CAPITAL LIMITED

Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

Issued and outstanding—

6,500 preference shares

100,000 common shares.

As at December 31, 1977 Canadian General Investments Limited held 5,850 preference shares and 90,000 common shares for a total investment of \$675,000. Third Canadian General Investment Trust Limited held 650 preference shares and 10,000 common shares for a total investment of \$75,000. There are no other shareholders.

Portfolio of Investments

AS AT DECEMBER 31, 1977

No. Shares		Class	Total Value
** 18,000	Applied Digital Data Systems - - - - -	Preferred	\$615,240
† 5,000	Energy Conversion Devices - - - - -	Common	98,450
1,000	Gestalt Int'l. Ltd. (previously Hoborough Ltd.) - - - - -	Preferred	2,250
* 20,000	Helix Investments Ltd. - - - - -	Common	40,000
* 18,050	Helix Investments Ltd. - - - - -	Preferred	180,500
* 106,855	Hermes Electronics Ltd. - - - - -	Common	10,686
* 2,000	Hermes Electronics Ltd. - - - - -	Preferred	20,000
\$10,000	Ionarc Smelters 12% Series "C" April 30, 1980 - - - - -	Debenture	10,000
166,333	Mitel Semi-Conductor Inc. - - - - -	Common	4,158
35,000	Spar Aerospace Products Ltd. - - - - -	Common	171,500
* 5,000	Venturetek International Limited - - - - -	Common	25,000
	Miscellaneous - - - - -		679
			<hr/> \$1,178,463

†U.S. Security—o/c NEW YORK

*Note: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.

**U.S. Security—Listed NYSE

AR29

YCANGEN

CANADIAN GENERAL INVESTMENTS LIMITED

110 YONGE STREET - SUITE 1702
TORONTO, ONTARIO

SEMI-ANNUAL REPORT

JUNE 30, 1977

BOARD OF DIRECTORS

RALPH M. BARFORD

J. D. BARRINGTON

ALEX E. BARRON
President

D. L. CAMPBELL

D. N. KENDALL

A. BRUCE MATTHEWS, C.B.E., D.S.O.

M. C. G. MEIGHEN, O.B.E.
Chairman

T. R. MEIGHEN, Q.C.

JOHN C. RYKERT
Treasurer

J. ALLYN TAYLOR

D. C. WEBSTER

PATRICK O. G. WRIGHT
Assistant Treasurer

REGISTRAR AND TRANSFER AGENT
THE CANADA TRUST COMPANY
110 YONGE STREET
TORONTO

CANADIAN GENERAL INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET
(Note 1)

ASSETS	June 30	
	1977	1976
Investments at indicated market value (Note 2):		
Securities having a quoted market value	\$109,074,460	\$116,822,330
Securities not having a quoted market value	6,938,792	6,903,888
	116,013,252	123,726,218
(Cost as at—		
June 30, 1977—\$59,184,187		
June 30, 1976—\$54,205,310)		
Short term investments, at cost plus accrued interest	225,400	646,730
Dividends and interest receivable	7,012	825
Cash in bank.....	123,282	7,692
	\$116,368,946	\$124,381,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable.....	\$ 8,773	\$ 7,506
Securities purchased	—	13,592
Income taxes payable	180,760	21,342
Deferred income taxes (Note 4).....	3,620,800	5,445,800
Minority interest in subsidiary.....	103,519	107,093
Shareholders' equity:		
Capital stock—		
Authorized—		
4,000,000 common shares without par value		
Issued and outstanding—		
3,843,764 common shares	24,023,525	24,023,525
Unrealized gain on investments.....	53,205,196	64,045,085
Retained earnings	35,226,373	30,717,522
	112,455,094	118,786,132
	\$116,368,946	\$124,381,465

CANADIAN GENERAL INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF INCOME

	For the six months ended June 30	
	1977	1976
Income:		
Dividends	\$ 2,284,719	\$ 2,254,526
Interest.....	97,042	33,223
Gain on foreign exchange	69,909	—
	241,670 <i>✓</i> <i>2,451,620</i>	2,287,749
Expenses:		
Management fee.....	139,302	142,686
Directors' fees (Note 3)	3,000	3,400
Miscellaneous.....	25,381	19,338
	<u>167,683</u>	<u>165,424</u>
Income before provision for income taxes and interest of minority shareholders	2,283,987	2,122,325
Provision for income taxes.....	16,977	1,700
Interest of minority shareholders	432	309
	<u>17,409</u>	<u>2,009</u>
Net income for the period	<u>\$ 2,266,578</u>	<u>\$ 2,120,316</u>
Net income for the period per common share.....	<u>\$.590</u>	<u>\$.552</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the six months ended June 30	
	1977	1976
Balance at beginning of period	\$34,134,466	\$29,959,158
Add:		
Net income for the period	2,266,578	2,120,316
Gain on investments sold or redeemed, less minority interest of \$28,102 (1976—\$6,977) and income taxes of \$236,163 (1976—\$20,979).	747,211	559,930
	<u>37,148,255</u>	<u>32,639,404</u>
Less:		
Dividends paid on common shares.....	1,921,882	1,921,882
Balance at end of period	<u>\$35,226,373</u>	<u>\$30,717,522</u>
Dividends paid per common share.....	<u>\$.50</u>	<u>\$.50</u>

CANADIAN GENERAL INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF UNREALIZED GAIN ON INVESTMENTS

	For the six months ended June 30	
	1977	1976
Increase (decrease) during the period	\$ (76,438)	\$ 6,014,737
Less:		
Deferred income taxes applicable thereto	17,050	2,128,494
Interest of minority shareholders	(13,054)	10,803
	3,996	2,139,297
	(80,434)	3,875,440
Balance at beginning of period	53,285,630	60,169,645
Balance at end of period	<u>\$53,205,196</u>	<u>\$64,045,085</u>

AUDITORS' REPORT

To the Directors of
CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited as at June 30, 1977 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the six months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at June 30, 1977 and the results of its operations and the changes in its net assets for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at June 30, 1977.

PRICE WATERHOUSE & CO.

Chartered Accountants

Toronto, July 19, 1977.

C A N A D I A N G E N E R A L I N V E S T M E N T S L I M I T E D

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1977

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.

2. The indicated market values of quoted securities are the result of pricing the Companies' holdings at the closing quoted market prices as at June 30. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.

3. No remuneration is paid by the Company to its "senior officers", as defined by the Business Corporations Act, 1970.

4. Taxation:

(i) The Companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations". "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.

(ii) Unrealized gain on investments includes approximately \$11,848,000 which has accrued since December 31, 1971. In addition, the parent company has received dividends of \$2,631,000 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. A provision for deferred income taxes on these unrealized gains has been made in the accounts.

(iii) As at June 30, 1977 the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax paid Undistributed Surplus (Section 89(1)(k))	(b) 1971 Capital Surplus
Balance at beginning of period.....	\$ —	\$16,114,108
Dividends received	11,185	259,275
Capital surplus realized on investments sold or redeemed.....	—	83,490
Tax-deferred dividends paid on common shares	<u>(10,624)</u>	<u>(1,911,258)</u>
Balance at end of period	<u>\$ 561</u>	<u>\$14,545,615</u>

Dividends paid out of categories (a) and (b) are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

5. Anti-Inflation Programme:

The Company is subject to dividend restrictions imposed by the Federal Government in the Anti-Inflation Act effective October 14, 1975. Dividends paid since this date have been in compliance with the controls.

CANADIAN GENERAL INVESTMENTS LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	For the six months ended June 30	
	1977	1976
Net assets at beginning of period	\$111,443,621	\$114,152,328
Add:		
Net income for the period	2,266,578	2,120,316
Gain on investments sold or redeemed, less minority interest and income taxes.....	747,211	559,930
Increase in unrealized gain on investments	—	3,875,440
	<u>114,457,410</u>	<u>120,708,014</u>
Less:		
Decrease in unrealized gain on investments.....	80,434	—
Dividends paid.....	1,921,882	1,921,882
Net assets at end of period	<u>2,002,316</u>	<u>1,921,882</u>
	<u>\$112,455,094</u>	<u>\$118,786,132</u>
Gain on investments sold or redeemed:		
Cost of investments at beginning of period.....	\$ 55,715,457	\$ 53,696,711
Add: Purchase of investments during period.....	5,076,465	1,278,319
	<u>60,791,922</u>	<u>54,975,030</u>
Less: Cost of investments at end of period	59,184,188	54,205,310
Cost of investments sold or redeemed during period	1,607,734	769,720
Proceeds from sale or redemption of investments during period.....	2,619,210	1,357,606
Gain on investments sold or redeemed before minority interest and income taxes	1,011,476	587,886
Provision for income taxes	236,163	20,979
Interest of minority shareholders.....	28,102	6,977
	<u>264,265</u>	<u>27,956</u>
Gain on investments sold or redeemed.....	<u>\$ 747,211</u>	<u>\$ 559,930</u>
Apparent liquidating value per common share:		
At beginning of period	\$ 28.99	\$ 29.70
At end of period	<u>\$ 29.26</u>	<u>\$ 30.90</u>